

**Union Calendar No. 27**

107<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

**H. R. 974**

**[Report No. 107–38]**

To increase the number of interaccount transfers which may be made from business accounts at depository institutions, to authorize the Board of Governors of the Federal Reserve System to pay interest on reserves, and for other purposes.

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**IN THE HOUSE OF REPRESENTATIVES**

MARCH 13, 2001

Mrs. KELLY (for herself, Mrs. CAPITO, and Mr. CANTOR) introduced the following bill; which was referred to the Committee on Financial Services

APRIL 3, 2001

Additional sponsor: Mr. SHERMAN

APRIL 3, 2001

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italic*]

[For text of introduced bill, see copy of bill as introduced on March 13, 2001]

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**A BILL**

To increase the number of interaccount transfers which may be made from business accounts at depository institutions, to authorize the Board of Governors of the Federal Reserve System to pay interest on reserves, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
 2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       *This Act may be cited as the “Small Business Interest*  
 5       *Checking Act of 2001”.*

6       **SEC. 2. INTEREST-BEARING TRANSACTION ACCOUNTS AU-**  
 7               **THORIZED.**

8       *(a) REPEAL OF PROHIBITION ON PAYMENT OF INTER-*  
 9       *EST ON DEMAND DEPOSITS.—*

10           *(1) FEDERAL RESERVE ACT.—Section 19(i) of*  
 11       *the Federal Reserve Act (12 U.S.C. 371a) is amended*  
 12       *to read as follows:*

13       *“(i) [Repealed]”.*

14           *(2) HOME OWNERS’ LOAN ACT.—The first sen-*  
 15       *tence of section 5(b)(1)(B) of the Home Owners’ Loan*  
 16       *Act (12 U.S.C. 1464(b)(1)(B)) is amended by striking*  
 17       *“savings association may not—” and all that follows*  
 18       *through “(ii) permit any” and inserting “savings as-*  
 19       *sociation may not permit any”.*

20           *(3) FEDERAL DEPOSIT INSURANCE ACT.—Section*  
 21       *18(g) of the Federal Deposit Insurance Act (12 U.S.C.*  
 22       *1828(g)) is amended to read as follows:*

23       *“(g) [Repealed]”.*

1       (b) *EFFECTIVE DATE.*—*The amendments made by sub-*  
 2 *section (a) shall take effect at the end of the 2-year period*  
 3 *beginning on the date of the enactment of this Act.*

4 **SEC. 3. INTEREST-BEARING TRANSACTION ACCOUNTS AU-**  
 5 **THORIZED FOR ALL BUSINESSES.**

6       Section 2 of Public Law 93–100 (12 U.S.C. 1832) is  
 7 amended—

8           (1) in subsection (a)(2), by striking “Para-

9       graph” and inserting “Except in the case of any de-

10       pository institution which is prohibited by the appli-

11       cable law of any State from offering demand deposits,

12       paragraph”;

13           (2) by redesignating subsections (b) and (c) as

14       subsections (c) and (d), respectively; and

15           (3) by inserting after subsection (a) the fol-

16       lowing:

17       “(b) Notwithstanding any other provision of law, any

18       depository institution may permit the owner of any deposit

19       or account which is a deposit or account on which interest

20       or dividends are paid and is not a deposit or account de-

21       scribed in subsection (a)(2) to make up to 24 transfers per

22       month (or such greater number as the Board may determine

23       by rule or order), for any purpose, to another account of

24       the owner in the same institution. Nothing in this sub-

25       section shall be construed to prevent an account offered pur-

1 *suant to this subsection from being considered a transaction*  
 2 *account (as defined in section 19(b) of the Federal Reserve*  
 3 *Act for purposes of such Act).’.*

4 **SEC. 4. PAYMENT OF INTEREST ON RESERVES AT FEDERAL**  
 5 **RESERVE BANKS.**

6 *(a) IN GENERAL.—Section 19(b) of the Federal Re-*  
 7 *serve Act (12 U.S.C. 461(b)) is amended by adding at the*  
 8 *end the following new paragraph:*

9 *“(12) EARNINGS ON RESERVES.—*

10 *“(A) IN GENERAL.—Balances maintained*  
 11 *at a Federal reserve bank by or on behalf of a*  
 12 *depository institution may receive earnings to be*  
 13 *paid by the Federal reserve bank at least once*  
 14 *each calendar quarter at a rate or rates not to*  
 15 *exceed the general level of short-term interest*  
 16 *rates.*

17 *“(B) REGULATIONS RELATING TO PAY-*  
 18 *MENTS AND DISTRIBUTION.—The Board may*  
 19 *prescribe regulations concerning—*

20 *“(i) the payment of earnings in ac-*  
 21 *cordance with this paragraph;*

22 *“(ii) the distribution of such earnings*  
 23 *to the depository institutions which main-*  
 24 *tain balances at such banks or on whose be-*  
 25 *half such balances are maintained; and*

1                   “(iii) the responsibilities of depository  
 2                   institutions, Federal home loan banks, and  
 3                   the National Credit Union Administration  
 4                   Central Liquidity Facility with respect to  
 5                   the crediting and distribution of earnings  
 6                   attributable to balances maintained, in ac-  
 7                   cordance with subsection (c)(1)(B), in a  
 8                   Federal reserve bank by any such entity on  
 9                   behalf of depository institutions.”.

10       (b) *AUTHORIZATION FOR PASS THROUGH RESERVES*  
 11 *FOR MEMBER BANKS.*—Section 19(c)(1)(B) of the Federal  
 12 Reserve Act (12 U.S.C. 461(c)(1)(B)) is amended by strik-  
 13 ing “which is not a member bank”.

14       (c) *SURVEY OF BANK FEES AND SERVICES.*—Section  
 15 19 of the Federal Reserve Act (as amended by subsections  
 16 (a) and (b) of this section) is amended by adding at the  
 17 end the following new subsection:

18       “(n) *SURVEY OF BANK FEES AND SERVICES.*—

19               “(1) *ANNUAL SURVEY REQUIRED.*—The Board  
 20 shall obtain annually a sample, which is representa-  
 21 tive by type and size of the institution and geographic  
 22 location, of the following retail banking services and  
 23 products provided by insured depository institutions  
 24 and insured credit unions (along with related fees  
 25 and minimum balances):

1           “(A) *Checking and other transaction ac-*  
2           *counts.*

3           “(B) *Negotiable order of withdrawal and*  
4           *savings accounts.*

5           “(C) *Automated teller machine transactions.*

6           “(D) *Other electronic transactions.*

7           “(E) *Credit Cards.*

8           “(2) *MINIMUM SURVEY REQUIREMENT.—The an-*  
9           *nual survey described in paragraph (1) shall meet the*  
10          *following minimum requirements:*

11          “(A) *CHECKING AND OTHER TRANSACTION*  
12          *ACCOUNTS.—Data on checking and transaction*  
13          *accounts shall include, at a minimum, the fol-*  
14          *lowing:*

15               “(i) *Monthly and annual fees and*  
16               *minimum balances to avoid such fees.*

17               “(ii) *Minimum opening balances.*

18               “(iii) *Check processing fees.*

19               “(iv) *Check printing fees.*

20               “(v) *Balance inquiry fees.*

21               “(vi) *Fees imposed for using a teller or*  
22               *other institution employee.*

23               “(vii) *Stop payment order fees.*

24               “(viii) *Nonsufficient fund fees.*

25               “(ix) *Overdraft fees.*

1                   “(x) *Deposit items returned fees.*

2                   “(xi) *Availability of no-cost or low-cost*  
3                   *accounts for consumers who maintain low*  
4                   *balances.*

5                   “(B) *NEGOTIABLE ORDER OF WITHDRAWAL*  
6                   *ACCOUNTS AND SAVINGS ACCOUNTS.—Data on*  
7                   *negotiable order of withdrawal accounts and sav-*  
8                   *ings accounts shall include, at a minimum, the*  
9                   *following:*

10                   “(i) *Monthly and annual fees and*  
11                   *minimum balances to avoid such fees.*

12                   “(ii) *Minimum opening balances.*

13                   “(iii) *Rate at which interest is paid to*  
14                   *consumers.*

15                   “(iv) *Check processing fees for nego-*  
16                   *tiable order of withdrawal accounts.*

17                   “(v) *Check printing fees for negotiable*  
18                   *order of withdrawal accounts.*

19                   “(vi) *Balance inquiry fees.*

20                   “(vii) *Fees imposed for using a teller*  
21                   *or other institution employee.*

22                   “(viii) *Stop payment order fees for ne-*  
23                   *gotiable order of withdrawal accounts.*

24                   “(ix) *Nonsufficient fund fees for nego-*  
25                   *tiable order of withdrawal accounts.*

1                   “(x) *Overdraft fees for negotiable order*  
2                   *of withdrawal accounts.*

3                   “(xi) *Deposit items returned fees.*

4                   “(xii) *Availability of no-cost or low-*  
5                   *cost accounts for consumers who maintain*  
6                   *low balances.*

7                   “(C)     *AUTOMATED     TELLER     TRANS-*  
8                   *ACTIONS.—Data on automated teller machine*  
9                   *transactions shall include, at a minimum, the*  
10                  *following:*

11                  “(i) *Annual and monthly fees.*

12                  “(ii) *Card fees.*

13                  “(iii) *Fees charged to customers for*  
14                  *withdrawals, deposits, transfers between ac-*  
15                  *counts, balance inquiries through institu-*  
16                  *tion-owned machines.*

17                  “(iv) *Fees charged to customers for*  
18                  *withdrawals, deposits, transfers between ac-*  
19                  *counts, balance inquiries through machines*  
20                  *owned by others.*

21                  “(v) *Fees charged to noncustomers for*  
22                  *withdrawals, deposits, transfers between ac-*  
23                  *counts, balance inquiries through institu-*  
24                  *tion-owned machines.*

25                  “(vi) *Point-of-sale transaction fees.*



1 “(vii) *Surcharges.*

2 “(D) *OTHER ELECTRONIC TRANSACTIONS.—*

3 *Data on other electronic transactions shall in-*  
4 *clude, at a minimum, the following:*

5 “(i) *Wire transfer fees.*

6 “(ii) *Fees related to payments made*  
7 *over the Internet or through other electronic*  
8 *means.*

9 “(E) *CREDIT CARD CHARGES AND FEES.—*

10 *Data related to credit cards shall include, at a*  
11 *minimum, the following:*

12 “(i) *Application fees.*

13 “(ii) *Annual and monthly fees.*

14 “(iii) *Rates of interest charged for pur-*  
15 *chases and cash advances, when an account*  
16 *is not in default.*

17 “(iv) *Rates of interest charged for pur-*  
18 *chases and cash advances, when an account*  
19 *is in default.*

20 “(v) *Average annual finance charges*  
21 *paid by customers.*

22 “(vi) *Late payment fees.*

23 “(vii) *Cash advance and convenience*  
24 *check fees.*

25 “(viii) *Balance transfer fees.*

1                   “(ix) *Over-the-credit-limit fees.*

2                   “(x) *Foreign currency conversion fees.*

3                   “(F) *OTHER FEES AND CHARGES.—Data on*  
 4                   *any other fees and charges that the Board deter-*  
 5                   *mines to be appropriate to meet the purposes of*  
 6                   *this section.*

7                   “(3) *ANNUAL REPORT TO CONGRESS RE-*  
 8                   *QUIRED.—*

9                   “(A) *PREPARATION.—The Board shall pre-*  
 10                   *pare a report of the results of each survey con-*  
 11                   *ducted pursuant to paragraph (1) and (2).*

12                   “(B) *CONTENTS OF THE REPORT.—In addi-*  
 13                   *tion to the data required to be collected pursuant*  
 14                   *to paragraphs (1) and (2), each report prepared*  
 15                   *pursuant to subparagraph (A) shall include a*  
 16                   *description of any discernible trend, in the Na-*  
 17                   *tion as a whole, in each of the 50 States, and in*  
 18                   *each metropolitan statistical area (as defined by*  
 19                   *the Director of the Office of Management and*  
 20                   *Budget), in the cost and availability of the retail*  
 21                   *banking services, including those described in*  
 22                   *paragraphs (1) and (2) (including related fees*  
 23                   *and minimum balances), that delineates dif-*  
 24                   *ferences between institutions on the basis of the*  
 25                   *type of institution, the size of the institution and*

1           *any engagement of the institution in multistate*  
 2           *activity.*

3           “(C) *SUBMISSION TO CONGRESS.—The*  
 4           *Board shall submit an annual report to the Con-*  
 5           *gress under this paragraph not later than June*  
 6           *1, 2002, and not later than June 1 of each subse-*  
 7           *quent year.*

8           “(4) *DEFINITIONS.—For purposes of this sub-*  
 9           *section, the terms ‘insured depository institution’ and*  
 10           *‘insured credit union’ mean any depository institu-*  
 11           *tion (as defined in subsection (b)(1)(A)) the deposits*  
 12           *or shares in which are insured under the Federal De-*  
 13           *posit Insurance Act or the Federal Credit Union*  
 14           *Act.”.*

15          (d) *TECHNICAL AND CONFORMING AMENDMENTS.—*  
 16          *Section 19 of the Federal Reserve Act (12 U.S.C. 461) is*  
 17          *amended—*

18               (1) *in subsection (b)(4) (12 U.S.C. 461(b)(4)), by*  
 19               *striking subparagraph (C) and redesignating sub-*  
 20               *paragraphs (D) and (E) as subparagraphs (C) and*  
 21               *(D), respectively; and*

22               (2) *in subsection (c)(1)(A) (12 U.S.C.*  
 23               *461(c)(1)(A)), by striking “subsection (b)(4)(C)” and*  
 24               *inserting “subsection (b)”.*

1 **SEC. 5. INCREASED FEDERAL RESERVE BOARD FLEXIBILITY**  
 2 **IN SETTING RESERVE REQUIREMENTS.**

3 *Section 19(b)(2)(A) of the Federal Reserve Act (12*  
 4 *U.S.C. 461(b)(2)(A)) is amended—*

5 *(1) in clause (i), by striking “the ratio of 3 per*  
 6 *centum” and inserting “a ratio not greater than 3*  
 7 *percent (and which may be zero)”;* and

8 *(2) in clause (ii), by striking “and not less than*  
 9 *8 per centum,” and inserting “(and which may be*  
 10 *zero),”.*

11 **SEC. 6. TRANSFER OF FEDERAL RESERVE SURPLUSES.**

12 *(a) IN GENERAL.—Section 7(b) of the Federal Reserve*  
 13 *Act (12 U.S.C. 289(b)) is amended by adding at the end*  
 14 *the following new paragraph:*

15 *“(4) ADDITIONAL TRANSFERS TO COVER INTER-*  
 16 *EST PAYMENTS FOR FISCAL YEARS 2002 THROUGH*  
 17 *2006.—*

18 *“(A) IN GENERAL.—In addition to the*  
 19 *amounts required to be transferred from the sur-*  
 20 *plus funds of the Federal reserve banks pursuant*  
 21 *to subsection (a)(3), the Federal reserve banks*  
 22 *shall transfer from such surplus funds to the*  
 23 *Board of Governors of the Federal Reserve Sys-*  
 24 *tem for transfer to the Secretary of the Treasury*  
 25 *for deposit in the general fund of the Treasury,*  
 26 *such sums as are necessary to equal the net cost*

1       *of section 19(b)(12), as estimated by the Office of*  
 2       *Management and Budget, in each of the fiscal*  
 3       *years 2002 through 2006.*

4               “(B) *ALLOCATION BY FEDERAL RESERVE*  
 5       *BOARD.—Of the total amount required to be paid*  
 6       *by the Federal reserve banks under subparagraph*  
 7       *(A) for fiscal years 2002 through 2006, the*  
 8       *Board of Governors of the Federal Reserve Sys-*  
 9       *tem shall determine the amount each such bank*  
 10       *shall pay in such fiscal year.*

11              “(C) *REPLENISHMENT OF SURPLUS FUND*  
 12       *PROHIBITED.—During fiscal years 2002 through*  
 13       *2006, no Federal reserve bank may replenish*  
 14       *such bank’s surplus fund by the amount of any*  
 15       *transfer by such bank under subparagraph (A).”.*

16       (b) *TECHNICAL AND CONFORMING AMENDMENT.—Sec-*  
 17       *tion 7(a) of the Federal Reserve Act (12 U.S.C. 289(a)) is*  
 18       *amended by adding at the end the following new paragraph:*

19              “(3) *PAYMENT TO TREASURY.—During fiscal*  
 20       *years 2002 through 2006, any amount in the surplus*  
 21       *fund of any Federal reserve bank in excess of the*  
 22       *amount equal to 3 percent of the paid-in capital and*  
 23       *surplus of the member banks of such bank shall be*  
 24       *transferred to the Secretary of the Treasury for de-*  
 25       *posit in the general fund of the Treasury.”.*

1 **SEC. 7. RULE OF CONSTRUCTION.**

2       *No provision of this Act, or any amendment made by*  
3 *this Act, shall be construed as creating any presumption*  
4 *or implication that, in the case of an escrow account main-*  
5 *tained at a depository institution in connection with a real*  
6 *estate transaction—*

7               *(1) the absorption, by the depository institution,*  
8               *of expenses incidental to providing a normal banking*  
9               *function with respect to such escrow account;*

10              *(2) the forbearance, by the depository institution,*  
11              *from charging a fee for providing any such banking*  
12              *function; and*

13              *(3) any benefit which may accrue to the holder*  
14              *or the beneficiary of such escrow account as a result*  
15              *of an action of the depository institution described in*  
16              *paragraph (1) or (2),*

17 *may be treated as the payment or receipt of interest for*  
18 *purposes of any provision of Public Law 93–100, the Fed-*  
19 *eral Reserve Act, the Home Owners’ Loan Act, or the Fed-*  
20 *eral Deposit Insurance Act relating to the payment of inter-*  
21 *est on accounts or deposits at depository institutions.*

Amend the title so as to read “A bill to repeal the prohibition on the payment of interest on demand deposits, to increase the number of interaccount transfers which may be made from business accounts at depository institutions, to authorize the Board of Governors of the

Federal Reserve System to pay interest on reserves, and for other purposes.”.

**Union Calendar No. 27**

107<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

**H. R. 974**

**[Report No. 107-38]**

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**A BILL**

To increase the number of interaccount transfers which may be made from business accounts at depository institutions, to authorize the Board of Governors of the Federal Reserve System to pay interest on reserves, and for other purposes.

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APRIL 3, 2001

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed